



HOUSE BUDGET COMMITTEE

Democratic Caucus

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Only the Democratic Stimulus Proposal Is Effective, Fair, and Fiscally Responsible

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Over the last two days, House Democrats and the President have each presented plans to address the current weakness in the economy. A legitimate stimulus package should be (1) effective, (2) fair, and (3) fiscally sound—and the Democratic proposal meets all of these tests. By contrast, the Bush “stimulus” proposal fails on all three counts. Unfortunately, his proposal focuses on costly long-term benefits for the few, rather than the short-term economic boost that the economy needs. *The Democratic plan will create approximately five times as many jobs in 2003 as the President’s plan, while costing less than one-sixth as much over the long term.*

- ***Only the Democratic plan provides an effective economic stimulus.*** The Democratic plan is immediate, substantial, and uses a proven approach to creating jobs and growing the economy. Our plan packs all of its resources up front, with a 2003 stimulus of \$136 billion that is more than twice as large as in the President’s plan. Additionally, the Democratic plan provides economic stimulus directly, by putting money in the pockets of families most likely to spend and providing tax relief to businesses most likely to invest and hire. The Democratic plan will create more than a million jobs in 2003.

By contrast, the President’s plan has an impact of less than \$102 billion in 2003, meaning that less than 10 percent of the total cost of the package occurs this year, when the economy needs a jump-start. Additionally, the Bush proposal relies on indirect effects, like trying to stimulate the stock market, in the hope it will eventually boost the rest of the economy. *According to the Administration’s own figures, its package will create only 190,000 jobs in 2003, only about one-fifth as many jobs as the Democratic package.*

- ***Only the Democratic plan is fair.*** The Democratic plan focuses on the working families and small businesses that form the backbone of the American economy. Under the Democrats’ plan, everyone who works gets a tax cut and everyone receives the same \$600 per couple. By contrast, the Bush proposal is unfair. For instance, the centerpiece of the Bush “stimulus” — his proposal to eliminate taxes on dividend income — would provide the bottom 82 percent of taxpayers with an average tax cut of only \$31, while awarding the top 0.2 percent a \$27,097 tax break. Instead of addressing the real weakness that currently exists in the economy, the President instead proposes a package of tax breaks that primarily benefits the few.

- ***Only the Democratic proposal is fiscally responsible.*** The Democratic proposal combines short-term stimulus with long-term balance, allowing the budget to recover as the economy strengthens. In fact, the impact of our package on the budget declines from \$136 billion in 2003 to \$100 billion over ten years. By contrast, the Republicans propose a package that is smaller in 2003, with more than 90 percent of the cost occurring in future years. Republicans propose increasing the long-term budget deficit by more than \$600 billion, even taking their own numbers at face value. In practice, the impact of their package on the deficit is likely to be far worse.